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INTRODUCTION

Starr Commonwealth entered into contracts # FF-00-08001, FF-00-13001, FF-00-08001-2, and FF-00-13001-2 with the Michigan Family Independence Agency (FIA) to provide a wide range of goal-directed services. The contract amounts were \$208,388, \$394,201, \$149,991, and \$295,650.75, respectively. The services to be provided included the following: developing a safety plan; teaching parenting skills; family, individual and/or marital counseling; assessing and teaching budgeting skills; aiding the family in meeting medical needs; teaching family housekeeping, homemaking, or other organizational skills; referring and linking family with needed goods and services; doing follow-up with family; and assisting the family with transportation needs. The services were provided in Calhoun, Barry, and Eaton Counties. All contracts were funded by Catalog of Financial Domestic Assistance (CFDA) #93.667, Title XX Donated Funds, and by CFDA #93.558, Child Protection/Community Partners (CP/CP). Collectively, these contracts covered the period October 1, 1999 through June 30, 2001. These contracts state that Starr Commonwealth was to be reimbursed for its actual costs incurred in providing the services.

SCOPE

The Office of Internal Audit performed an audit of Starr Commonwealth for the period October 1, 1999 through June 30, 2001 to determine if they complied with the terms of their contracts with FIA, and if systems, procedures and monitoring operations of Starr Commonwealth were in compliance with standards, policies and regulations as established by FIA. Our audit included Starr Commonwealth's billing process, including their accounting records and supporting documentation, and year-end closeout procedures.

EXECUTIVE SUMMARY

Based on our audit, we concluded that Starr Commonwealth over billed FIA \$3,993.04. Our report recommends that Child and Family Services Administration (CFS) determine if Starr Commonwealth may be granted a retroactive line item transfer for line items over budget to allow the over billed amount. If retroactive line item transfers are not allowed, CFS should initiate the process to recoup the \$3,993.04 from Starr Commonwealth.

STARR COMMONWEALTH RESPONSE

The management of Starr Commonwealth has reviewed all the findings and recommendations included in this report. Starr Commonwealth's response indicated that they would not be requesting a line item transfer.

FINDINGS AND RECOMMENDATIONS

Contract #FF 00-13001-2

Salaries

1. Starr Commonwealth over billed FIA \$5,931.67 for Salaries. They charged FIA for 6 counselors, although the budget only allowed for 5 counselors. The Salaries overcharge was determined by using the lowest paid counselor, \$18,204.42, then deducting this from the total audited Salaries of \$192,926.04, leaving allowable Salaries of \$174,721.62. FIA paid a total of \$180,653.29 for Salaries, which was the budget maximum for that line item. Therefore the overpayment in Salaries is \$5,931.67 (\$180,653.29 – 174,721.62).

Occupancy

2. Starr Commonwealth had \$246.93 in allowable Occupancy expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum.

However, the disallowance of costs charged in the Salaries Line Item will result in Starr Commonwealth not being paid the total amount of the contract.

Communications

3. Starr Commonwealth had \$1,090.69 in allowable Communications expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries Line Item will result in Starr Commonwealth not being paid the total amount of the contract.

Supplies

4. Starr Commonwealth had \$206.21 in allowable Supplies expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries Line Item will result in Starr Commonwealth not being paid the total amount of the contract.

Transportation

5. Starr Commonwealth had \$1,060.54 in allowable Transportation expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries Line Item will result in Starr Commonwealth not being paid the total amount of the contract.

Equipment

6. Starr Commonwealth had \$22.92 in allowable Equipment expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries Line Item will result in Starr Commonwealth not being paid the total amount of the contract.

Fringe Benefits

7. Starr Commonwealth had allowable Fringe Benefit expense that they billed but were not reimbursed by FIA because they had reached the contract maximum. The disallowance of costs charged in the Salaries line item and the allowance of costs for the Occupancy, Communications, Supplies, Transportation and Equipment will result in Starr being paid all but \$3,304.38 of the total amount of the contract. Additional allowable Fringe Benefits expense exceeds \$3,304.38. Starr Commonwealth has been reimbursed for the budget maximum for the Fringe Benefits Line Item. Therefore, the additional \$3,304.38 would be allowable only if a line item transfer were approved.

WE RECOMMEND that CFS determine if Starr Commonwealth may be granted a retroactive line item transfer so that they may bill for the additional allowable Fringe Benefits expense. If the transfer is approved, no recoupment is necessary for this contract. If it is not approved, CFS will need to initiate the process to recoup the net over billed amount of \$3,304.38.

WE ALSO RECOMMEND that CFS instruct Starr Commonwealth to prepare a revised final billing that reflects the adjustments detailed in findings 1 through 7 of this report.

IN ADDITION WE RECOMMEND that CFS advise Starr Commonwealth that for future contracts, they should charge for only the number of counselors funded in the FIA budget.

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Salaries

8. Starr Commonwealth over billed FIA \$887.73 for Salaries because they billed for an Administrative Assistant that was not included in the contract budget. The charge for the Administrative Assistant was \$14,417.52, but the amount of the over billing was reduced because FIA had not reimbursed Starr Commonwealth for \$13,529.79 in allowable Salaries expenses because Starr Commonwealth had reached the budget maximum.

Fringe Benefits

9. Starr Commonwealth over billed FIA \$2,822.58 for Fringe Benefits. We calculated allowable Fringe Benefits by multiplying allowable salaries of \$88,362.27 by 26.23%, which was the total percentage paid for the Fringe Benefits that were included in the contract budget. Total allowable Fringe Benefits were \$23,177.42. FIA paid \$26,000 for Fringe Benefits. Therefore the overpaid Fringe Benefits amount was \$2,822.58.

Occupancy

10. Starr Commonwealth had \$813.24 in allowable Occupancy expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries and Fringe Benefits Line Items will result in Starr Commonwealth not being paid the total amount of the contract.

Communications

11. Starr Commonwealth had \$2,070.36 in allowable Communications expenses that they billed, but were not reimbursed by FIA because they had reached the contract

maximum. However, the disallowance of costs charged in the Salaries and Fringe Benefits Line Items will result in Starr Commonwealth not being paid the total amount of the contract.

Equipment

12. Starr Commonwealth had \$138.05 in allowable Equipment expenses that they billed, but were not reimbursed by FIA because they had reached the contract maximum. However, the disallowance of costs charged in the Salaries and Fringe Benefits Line Items will result in Starr Commonwealth not being paid the total amount of the contract.

Miscellaneous

13. Starr Commonwealth had allowable Miscellaneous expenses that they billed but were not reimbursed by FIA because they had reached the contract maximum. The disallowance of costs charged in the Salaries and Fringe Benefits Line Items and the allowance of costs for the Occupancy, Communications, and Equipment Line Items will result in Starr Commonwealth being paid all but \$688.66 of the total amount of the contract. Additional allowable Miscellaneous expenses exceed \$688.66. Starr Commonwealth has been reimbursed for the budget maximum for the Miscellaneous Line Item. Therefore, the additional \$688.66 would be allowable only if a line item transfer were approved.

WE RECOMMEND that CFS determine if Starr Commonwealth may be granted a retroactive line item transfer so that they may bill for the additional allowable Miscellaneous expense. If the transfer is approved, no recoupment is necessary for this contract. If it is not approved, CFS will need to initiate the process to recoup the net over billed amount of \$688.66.

WE ALSO RECOMMEND that CFS instruct Starr Commonwealth to prepare a revised final billing to reflect the adjustments detailed in findings 8 through 13 of this report.